

**Tax Workgroup  
U.S. EITI Meeting March 8-9, 2016  
Proposed Tax Discussion**

**A factual description of when we expect 1504 reporting to be implemented, assuming a rule is finalized this summer.**

- Public companies that are calendar year filers are expected to report on their 2017 taxes, for the first time under Dodd-Frank 1504, by the end of May 2018, per the current SEC timeline for finalizing its 1504 rule.
- This is according to the proposed SEC rule which provides that the final rule “shall take effect on the date on which the resource extraction issuer is required to submit an annual report relating to the fiscal year . . . that ends not earlier than one year after the date on which the Commission issues final rules . . . .”
- The proposed rule would require a resource extraction issuer to file its payment disclosure . . . no later than 150 days after the end of its fiscal year.
- Notes:
  - 1504 does not apply to private companies.
  - In addition, the above assumes public companies follow a calendar year. MSG agreed to use calendar year reporting as the large number of firms in the extraction industries report based on calendar years.
  - Deloitte will provide the reporting period for public in-scope firms for USEITI to allow MSG to determine when 1504 disclosure could take place for all such public in-scope firms.

**Recommended steps to attempt to increase tax reporting and reconciliation in 2016**

1. Meeting/webinars led by Treasury and the IA with in-scope firm’s tax staff (in Houston and Denver, spring 2016), similar to last year’s meetings with firms’ royalty payment accounting staff. The goal of these meetings is to ensure greater understanding, encourage companies’ tax staff to participate in USEITI tax reporting/reconciliation and reduce burden on IA and industry by answering as many questions as possible before reporting and reconciliation begins.
2. Peer discussions among high level industry leadership discussing each firm’s decision to report/reconcile
  - Discussions would take place between USEITI industry members, within trade associations and during EITI conference in Lima, Peru, February 2016.
  - As part of the discussions have 1 or 2 companies that have chosen to report their taxes) along with Deloitte discuss their experience with tax reporting and/or reconciliation.
3. Recommend an opt-in for firms that are not in-scope (not as an alternative to reporting requirements now or in the future but to allow firms that are willing to do this an

opportunity to showcase the benefits of reporting) to report and reconcile taxes. The MSG will need to consider the desired level of outreach to out-of-scope firms.

4. Outreach by the IA to in-scope firms will continue to play an important role in encouraging firms to report and reconcile taxes.
5. Consider providing a more accurate sum of aggregate tax receipts for in-scope firms
  - The goal is to provide a more accurate figure for the percent of taxes reported and/or reconciled by the in-scope firms.
  - Current aggregate tax receipts sums reported in the contextual narrative include out of scope-firms extractive firms as well as firms in the refining industry without extractive activities.
  - Explore how the USEITI in-scope set of companies could be carved out from existing data on tax receipts and presented as a group in the 2016 USEITI Report, to present their aggregated tax receipts number. This would likely require each company to confirm with the IRS their Tax ID number(s).
  - Aggregate statistics must comply with disclosure requirements that do not allow tax information to be released for a small subset of firms.

**Discussion by the MSG members of what may happen with tax reporting this coming year and how to proceed**

Since these additional steps to encourage reporting and reconciliation may not guarantee significant additional reporting this year, we also recommend that the MSG begin a discussion starting at the March 2016 MSG meeting about the paths forward for (a) 2016 USEITI report endorsement and for (b) USEITI validation for different scenarios, i.e., with or without greater numbers of companies reporting and reconciling taxes.